

SECRET

297035

NPIC/TDS/D-1024-67
19 September 1967

MEMORANDUM FOR: Assistant for Technical Development

THROUGH : Chief, Development Staff, TDS

THROUGH : Chief, Exploitation Systems Branch, DS

SUBJECT : Request for Additional Funds for [REDACTED]

25X1A

25X1A

1. The subject contract with [REDACTED] was for the design and development of a modified film transport system for the [REDACTED] Enlarger. The contractor claimed an overrun as stated in Attachment 1. When requested by the Office of Logistics to reply to this claim, TDS posed certain questions related to this effort as stated in Attachment 2. Attachment 3 represents the contractor's reply to these questions.

2. Verbal discussions with the Contracting Officer indicate that the contractor's reply is sufficient to justify an overrun. However, it is the undersign's opinion that the reply simply states that the contractor's accounting procedures are extremely deficient and operate in a slipshod manner. Nevertheless, it is apparent that NPIC must bear the burden of this overrun regardless of the justification from the contractor.

3. Past experience indicates that regardless of the contractor's degree of justification he is apparently going to be paid. Therefore, it is questionable that NPIC must even get involved in after-the-fact (accounting type) overruns of this nature.

25X1A

[REDACTED]
Exploitation Systems Branch, DS, TDS

Attachments: (3)

1. Memo from PD/OL, 9 Jun 67
2. NPIC/TDS/D-885-67, 14 Jun 67
3. Letter from [REDACTED]

Distribution:

Orig & 1 - Addressee

1 - NPIC/TDS/DS

2 - NPIC/TDS/DS/ESB

NPIC/TDS/DS/[REDACTED] 19 Sep 67)

Declass Review by NIMA/DOD

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GROUP 1
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downgrading and
declassification

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SUBJECT : Request for Additional Funds for [REDACTED]

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2. Verbal discussions with the Contracting Officer indicate that the contractor's reply is sufficient to justify an overrun. However, *TDS believe*, it is the undersign's opinion that the reply simply states that the contractor's accounting procedures are extremely deficient and operate in a slipshod manner. Nevertheless, it is apparent that NPIC must bear the burden of this overrun regardless of the justification from the contractor.

3. Past experience indicates that regardless of the contractor's degree of justification he is apparently going to be paid. Therefore, it is questionable that NPIC must even get involved in after-the-fact (accounting type) overruns of this nature.

[REDACTED]
Exploitation Systems Branch, DS, TDS

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NPIC/TDS/DS, [REDACTED] (19 Sep 67)

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ATTACHMENT 2

Approved For Release 2002/06/17 : CIA-RDP78B04747A002900050002-4

NPIC/TDS/D-885-67
14 June 1967

MEMORANDUM FOR: Chief, Contract Settlement Section/CASB/PD/OL

SUBJECT : Request for Additional Funds for [REDACTED]
[REDACTED]

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1. The subject contract with [REDACTED] was for the design and development of a modified film transport system for the [REDACTED] Enlarger. The original CFIF contract for [REDACTED] was amended with a [REDACTED] overrun on 20 May 1966. The modification was installed at NPIC in late April 1966 and after extensive testing and operational evaluation the Technical Development Staff recommended acceptance on 14 July 1966. An excellent incentive rating was given because of the superior technical performance by the Contractor.

2. The attached overrun request from the Contractor dated 26 May 1967 states that technical difficulties caused them to incur costs above those originally allocated. Specifically, [REDACTED] of overrun costs are claimed.

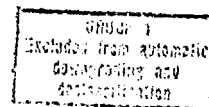
25X1A

3. Before a reasonable evaluation of this claim can be made certain factors must be known.

- a. Were these costs incurred for work done for this project and if so were they incurred within the contractual period? The auditors should be able to determine this factor.
- b. Why did the Contractor delay for almost a year in submitting a claim for these additional costs?
- c. Why didn't the Contractor follow established procedures in requesting approval for the anticipated overrun before he incurred it? This claim is apparently not just for overhead and/or G&A rate changes, but clearly a request for additional hourly costs.

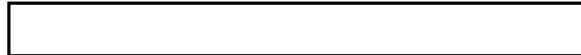
4. My Staff will remain available to help make a decision on this matter when satisfactory answers to these questions have been supplied by the Contractor.

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SUBJECT: Request for Additional Funds for



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Colonel, USAF
Assistant for Technical Development, NPIC

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CENTRAL INTELLIGENCE AGENCY OFFICIAL ROUTING SLIP					
TO	NAME AND ADDRESS		DATE	INITIALS	
1	NPIC				
2					
3					
4					
5					
6					
<input checked="" type="checkbox"/>	ACTION	<input type="checkbox"/>	DIRECT REPLY	<input type="checkbox"/>	PREPARE REPLY
<input type="checkbox"/>	APPROVAL	<input type="checkbox"/>	DISPATCH	<input type="checkbox"/>	RECOMMENDATION
<input type="checkbox"/>	COMMENT	<input type="checkbox"/>	FILE	<input type="checkbox"/>	RETURN
<input type="checkbox"/>	CONCURRENCE	<input checked="" type="checkbox"/>	INFORMATION	<input type="checkbox"/>	SIGNATURE
Remarks:					
<p>attached is a reply from the contractor in answer to your questions in para 3 b and 3 c of memo NPIC/TDS/D-885-67. The answer of para 3a is that the auditors will certainly determine true costs and provide covered.</p>					
FOLD HERE TO RETURN TO SENDER					
FROM: NAME, ADDRESS AND PHONE NO.				DATE	
OL/PD/CSS					
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FORM NO. 2-61 237 Use previous editions

(40)

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25 July 1967
CW 67-7012
REF: KO-501-AA

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Task Order No. 4

Reference:

- (a) OTC Letter CW67-5013, dated 26 May 1967
- (b) OTC Letter CW66-2051, dated 11 March 1967

Gentlemen:

Thank you for your letter of 23 June 1967. We realize that the lapse in time is of concern to you. Normally this would not happen, but the overrun was not discovered until recently while we were reviewing our books on all work completed during 1966. As you are aware, all our accounting records are kept in [redacted] and it is apparent 25X1A that lack of communication resulted in this oversight.

The reason why the problems mentioned in Reference (a) were not covered in Reference (b) is that Reference (b) was an estimate to complete and it was not anticipated at that time that these problems would arise. The problems then occurred after Reference (b) had been submitted and approved.

Your efforts in resolving this matter will be greatly appreciated. We are sorry for any inconvenience this request may have caused.

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For further information, please contact [redacted] Manager, Contract Administration.

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DJS:bs

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